

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – SEPTEMBER 3, 2003

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Thomas Chagnon, Information Technology Manager II; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Al Picconi, United Beverages, Inc.

EXCUSED: Howard Roundy, Director of Information Technology

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending August 31, 2003 shows retail sales were up a little over 9.1%, on-premise sales were up 7.3%, off-premise sales were up about 11.26%, and total aggregate sales were up 9.17%. The traffic count increased by 7,967, while the average sales ticket also increased by \$1.39.

The W-1 Total Weekly Sales Report confirms total sales were up 9.17% or \$705,483, with an increase for the year of 9.18% or \$6,027,180. Wine sales were also up for the week by 10.14% or \$346,875, as they were by 9.44% or \$2,670,369 for the year. Sales of spirits increased 8.4% or \$358,607, as they did year-to-date by almost 9% or \$3,356,811.

B. Budget Reports:

The only issue on this week's outstanding depletions and post-offs report concerns one broker which is in arrears for the month of June. Accounting will be in contact with him regarding this.

The updated gift card weekly comparison report shows nothing of significance to report.

C. Administrative Reports:

Regarding SEA matters, Craig he had received information that the Enforcement subunit had settled on several issues. He will double check on progress regarding the stores subunit. Outstanding grievances will be discussed during non-public session.

Craig will be assisting the NABCA in updating their annual survey book, which they are asking be done electronically. He asked the other bureau chiefs to look at areas

which affect their operations and get back to him by September 18th. Commissioner Byrne asked to review any information that will be sent back to the NABCA.

There was a meeting last week with Anne Jordan from Paymentech regarding gift card/broker programs. (Craig passed out written information.) It is anticipated that any costs at this point can be passed through the Commission, with brokers being billed directly for the service. Craig is waiting for an estimate from ACR as to how much software modifications will cost.

The W-6 Expense Budget Activity Variance Report indicates that Current Expenses, Class 50, Benefits and Workman's Compensation expenses have all increased. However, overall expenses are down about 8.5% compared to last year. It is hoped that there will be a state budget by the end of the week.

The LBA auditors are currently doing a limited test on the new payroll functions; they will occupy the upstairs conference room for a week or so.

The new American Express contract will hopefully be completed by the end of the week, and the Commission will begin to realize some savings.

2. IT Reports

An issue with the Dell servers has resulted in problems with files not getting completely backed up. Dell will be coming in to enable the system to increase capacity.

II. MARKETING & SALES REPORTS

1. Store Operations:

Total store sales for the week ending 8/31/03 increased by 8.46% or \$514,867.87. There was nothing out of the ordinary to report. Peter mentioned that Store #38 Portsmouth is still in a deficit situation. He suggested that some advertising be done to let the public know that renovations at that store have been completed.

The Merchandising Mania event is scheduled to be held at Eagle Pond Lodge in Danbury this coming Sunday from 12:00 noon to 6:00 p.m.

Peter had colored photographs of how the close-out warehouse store at #69 in Nashua will look, and gave an explanation of the point-of-sale materials which will be used. Although no store in Manchester has been selected as yet, Peter said he would lean towards Store #10. Commissioner Byrne asked if Store #23 Conway would be suitable. Peter asked permission to begin with Stores #6 Portsmouth and #69 Nashua, on or around September 18th. Commissioner Byrne suggested postponing a post card mailing to customers until the stores are actually open. Nicole mentioned that a logo will appear on all signs going out to the stores regarding the close-outs.

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Store #22 in Brookline is scheduled to open on October 27th.

2. Purchasing Report

The Purchasing department has been working with local brokers on out-of-stocks. Finlandia Vodka did come in, but is out again at this time. However, more product is expected to arrive by the end of the week.

3. Merchandising Report

A. SPIRITS:

1) Spirit Gross Profit Guidelines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that this item be tabled pending revisions, to be brought back to the Commission from Marketing at next week's meeting. The motion was unanimously adopted.

2) Line Price Grey Goose Flavors:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the line pricing of Code #3830, Grey Goose L'Orange Vodka, Code #3782, Grey Goose Le Citron Vodka and Code #3861, Grey Goose La Vanille Vodka, 750ML sizes with Code #3858, Grey Goose 80 Proof Vodka, 750ML size, effective with the November 2003 pricing quarter, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Jagermeister Offer:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Sidney Frank Importing Co., to add Code #5445, Jagermeister, 750ML size, to the "Hot Brand" program, effective November 2003 through April 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Panama Jack 50ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Martignetti Companies of N.H. to make a special purchase on Panama Jack Spiced Rum, 50ML size at no cost to the Commission, with two cases of product to be distributed to Stores #73 and #76 Hampton, #66 and #67 Hooksett, #38 Portsmouth, #50 and #69 Nashua, #34 Salem, #60 West Lebanon and

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#49 Plaistow, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Proposed Wine Sale for December 2003:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a 10% discount on all ports and sherries, domestic and imported, and a 10% discount on all 750ML size cases during a wine sale scheduled from December 1, 2003 through January 2, 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Additional Holiday Listings:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve four (4) additional wine items to be included in the 2003 holiday listings, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) New Wine Product Listings (Code #35393):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the general distribution of Code #35393, Tohu Sauvignon Blanc Marlborough NZ, 750ML size, as this product has earned a gross profit of at least \$6,500 during a twelve-month period, the majority of which has been in the retail and off-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Special Offers for October-November 2003 (4 items – R.P. Imports):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from R.P. Imports, based upon depletions of four (4) wine items, to be featured on sale during October and November 2003, as recommended by Nicole Horton and seconded by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Request for Store Tasting:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from M.S. Walker N.H. to conduct an additional wine tasting at Store #50 Nashua on Friday, September 19, 2003 from 4:00 to 7:00 p.m. in

conjunction with the Jorge Ordonez and Eric Solomon promotion, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Recommended Wine Specialty Products (9 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve nine (9) wine items to be designated as wine specialty products, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Recommended Allocated & Restricted Wines for Distribution to Selected Stores (14 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve fourteen (14) allocated and restricted wine items for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Primary Source Submissions (3 items – exclusive agent; 9 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of three (3) wine codes which are not from primary source, but are offered by the exclusive marketing agent and nine (9) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Tabled Item: Recommended Close Out Wines for Distribution to Close Out Stores (8/27/03, Item #B-1):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that this item be removed from the table, and that the Commission approve revisions regarding eighteen (18) close out wines to be distributed to close out stores, for which there will be no additional discounting, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

10) Distribution of Close Out Items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the purchase and distribution of eighty-one (81) wine codes on close out status, to be distributed as needed to Stores #6 Portsmouth, #15 Keene and #69 Nashua, for which there will be no additional discounting, as recommended by

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Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve previously reviewed requests for bailment releases/transfers dated August 28 through September 3, 2003. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/Donna Hartford

